LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7343 **NOTE PREPARED:** Jan 11, 2004
BILL NUMBER: HB 1296 **BILL AMENDED:**

SUBJECT: Tax levies for community mental health centers.

FIRST AUTHOR: Rep. Klinker **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL **IMPACT:** State & Local
X DEDICATED
FEDERAL

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			
State Expenditures	50,000	175,000	250,000
Net Increase (Decrease)	(50,000)	(175,000)	(250,000)

LOCAL IMPACT	CY 2004	CY 2005	CY 2006
Local Revenues	700,000	1,100,000	1,500,000
Local Expenditures			
Net Increase (Decrease)	700,000	1,100,000	1,500,000

Summary of Legislation: This bill separates the laws concerning financing community mental health centers from the laws concerning financing community mental retardation and other developmental disabilities centers.

The bill provides that the maximum appropriation and tax levy for community mental health centers outside Marion County must be annually recalculated based on the increase in the assessed value growth quotient. It also repeals a provision that duplicates other provisions added to the same chapter.

Effective Date: January 1, 2004 (retroactive).

Explanation of State Expenditures: The gross levy increases contained in this bill would also result in additional expense for state PTRC and Homestead Credits. PTRC and Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any additional expenditures for these credits would ultimately come from the state General Fund. **The additional cost is estimated at $50,000 in FY 2004, $175,000 in FY 2005, and $250,000 in FY 2006**.

The bill recognizes that the impact of this provision could occur after tax rates, budgets, and levies are certified for 2004. If this is the case, the bill allows counties to impose a shortfall levy in 2005 to recapture the additional 2004 appropriation. If that happens, the FY 2004 state costs would be shifted into FY 2005.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, counties *must* make an appropriation to fund community mental health centers from the county general fund. The appropriation may not exceed the amount that would be generated in the county by a tax rate of $0.0133, as adjusted for reassessment, per $100 of assessed value (AV). The reassessment adjustment was added by SEA 1 - 2004 and first affects appropriations in CY 2004. Except in Marion County, appropriations increased in CY 2003 as a result of the new reassessed values. In CY 2004, these appropriations will be reduced to their 2002 appropriation level plus natural AV growth.

For all counties except Marion County, this bill would remove the rate cap (which allows appropriation increases equal to natural AV growth) and instead increase the appropriation each year by the county's AV growth quotient, using the 2002 maximum appropriation as the base amount. The growth quotient, based on the six year average annual increase in Indiana nonfarm income, was 4.8% in 2003 and is 4.7% for CY 2004.

The estimated appropriation for all counties was $23.4 M in CY 2002 and $34.6 M in CY 2003. Under SEA 1 - 2004 future appropriations were estimated at $24.8 M in CY 2004, $25.6 M in CY 2005, and $26.3 M in CY 2006. **Under this bill, appropriations would rise by an estimated $700,000 in CY 2004, $1.1 M in CY 2005, $1.5 M in CY 2006.** The difference in the appropriation under current law and the appropriation in this bill is the rate of growth, about 3% under current law and about 4.7% under the bill.

Under current law, the maximum levy limitations do not apply to the money raised to fund community mental health centers under the required appropriation. So, any increase in the required appropriation would cause an increase in the levy, unless a county chooses to make the increased appropriation out of current funding.

Assuming that each county increases their gross levies by the above appropriation increases, the net levies (after PTRC and homestead credits) for taxpayers would increase by an estimated $570,000 in CY 2004, $875,000 in CY 2005, and $1.2 M in CY 2006.

Under current law, counties *may* also make a supplemental appropriation for the funding of community mental health centers from the county general fund. This appropriation may not exceed the amount that would be generated in the county by a tax rate of $0.0333, as adjusted for reassessment. Under this proposal, the limit for the supplemental appropriation would be based on the same formula as the required appropriation. However, unlike the required appropriation, the money raised for the supplemental appropriation *is* subject to the maximum levy limitation. Therefore any increased supplemental appropriation would have to come from current resources since if the county is at their maximum levy.

State Agencies Affected:

Local Agencies Affected: Counties; Community Mental Health Centers.

Information Sources: Local Government Database.

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